2006 FERRY FARE FACT SHEET

Prepared by the Washington State Transportation Commission and the Washington State Department of Transportation

Funding History

- Washington State Ferries (WSF) receives funding to operate and maintain existing vessels and terminals, and to preserve existing and acquire new equipment from the following revenue sources: fares paid by ferry users, revenue from concessions, the Washington State taxpayers, and the Federal government.
- In 1999, following approval of Voter Initiative 695 to cut taxes, the Legislature repealed the Motor Vehicle Excise Tax.
- The result of this repeal was that the dedicated tax revenue sources for the ferry system decreased by 58% for its operations, and decreased by 70% for its capital funding.
- In 2001, the Legislature's Joint Task Force on Ferries determined that ferry fare revenue should address up to 80% of ferry operating costs (known as "fare box return") without having to face further reductions to service levels.

Operating Budget Shortfall

OPERATING FISCAL DATA FOR FY2005**

Operating Costs	
Operating costs excluding fuel:	$148,551,000
Fuel Costs*:	$ 30,066,000
Total Operating Expenses:	**$178,617,000**
(*Compared to2004, fuel costs went up 45% in 2005)	
Operating Revenue	
Fare box revenues:	$132,783,000
Other revenue contributions to Operations:	$ 2,261,000
Total Operating Revenues:	**$135,045,000**
Subtotal – Budget Shortfall	$43,572,000
Less Dedicated Tax Revenues Available	$24,162,000
Total Budget Shortfall:	**$ 19,410,000**

Capital Budget

- The current planned WSF capital expenditures over the next 10 years is $1.6 billion which includes:
  - $467 million in terminal improvements mainly at Mukilteo, Bainbridge Island, Seattle's Coleman Dock, Anacortes, and Edmonds.
  - $346 million for five new vessels – one to be delivered in 2009, two to be delivered in 2010, and two to be delivered in 2011.
  - $804 million for core preservation of the system.

***Fiscal year ending June 30, 2005*

- While the planned expenditures outlined above are currently approved by the Legislature, capital funds are always at risk of being reduced or eliminated as operations become endangered or strained.

CAPITAL FISCAL DATA FOR FY2005 & THE 05/07 BIENNIUM**

Capital Costs for Fiscal Year 2005: $103.2 million.
These costs include preservation of vessels and terminals, planning and design activities related to new terminal and vessel construction, and other all activities related to capital investment at WSF.

Capital Costs for Fiscal Years 2006/ 2007

Terminal or ferry preservation:	$103 million
New terminal and vessel construction:	$144 million
Total budgeted capital costs:	**$243.9 million**

Current Budget Realities

- Like private business, operating costs are sensitive to inflationary, economic and other conditions and subject to increases. As costs increase, either fares must increase or the state subsidy must increase which can only occur if the entire Legislature approves it.
- It is clear that user fares are a primary source of funds, but by no means do ferry users pay most of the costs of having a ferry system.
  - In addition to the operating issues described above, state tax subsidies of the ferry capital programs are significant. Following the passage of I-695, funds were diverted from the traditional highway programs to core investments in ferry preservation and other capital investments at WSF.
- The 2006 fare increase of 6% being proposed, but not yet acted upon by the Transportation Commission, would bring the general fare contribution to 70-75% of operating costs (depending on fuel costs) - still well short of the 80% legislative target.
- It is important to keep in mind that if the fare increase were to fully cover the increased fuel costs, it is estimated that the fare increase would have had to be raised an additional 30%.
  - To avoid this outcome, the legislative leaders who are part of the Tariff Policy Committee have agreed to take up the issue of escalating fuel costs during the 2006 session and will pursue the attainment of additional fuel funding.

Possible Service Implications

- Short of receiving or producing the necessary funds to cover the shortfalls outlined in this fact sheet, the only real alternatives left, if current service levels are to be maintained, is to raise ferry fares. If fares do not increase, the last alternative would likely be to reduce service for certain routes.
- The ferry system continues to have an active program to contain costs. In recent years, service cuts and reductions in the capital program have been necessary to address budget shortfalls.

***Fiscal year ending June 30, 2005*